

ATLAS



ACS FREEZERS INCOME TRUST

2000

ANNUAL REPORT

Company Profile

ACS Freezers Income Trust

ACS Freezers Income Trust through its operating arm, Atlas Cold Storage, is an integral part of the supply chain for the frozen and chilled food industry. Through a network of 31 facilities, Atlas Cold Storage provides temperature-controlled storage and logistics services to processors, distributors, food service providers and retailers across North America.

Atlas Cold Storage currently operates the fourth largest temperature-controlled distribution network in North America. The company is driven by the continued growth in frozen and chilled food consumption and by the increased outsourcing of supply chain services. Its plan for strong, continued growth includes increasing capacity in major census zones, expanding its third-party logistics business, and acquiring operations in key markets that complement its existing network.

ACS Freezers Income Trust provides unitholders with quarterly distributions that reflect the underlying strengths of its industry. Trust units and convertible debentures are listed on the Toronto Stock Exchange (under FZR.UN and FZR.DB respectively) and are eligible for registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs) and deferred profit sharing plans (DPSPs). Quarterly distributions and interest on the convertible debentures may be reinvested under the terms of the Trust's Dividend and Interest Reinvestment and Optional Cash Payment Plan ("DRIP Program").

Table of Contents

2	Letter from the Chairman
4	Chief Executive Officer's Report
12	Management's Discussion and Analysis
23	Management's Report
23	Auditors' Report
24	Consolidated Financial Statements
28	Notes to Consolidated Financial Statements



Year 2000 highlights

It was a great year!

- Major acquisition - Atlas Cold Storage
- Total refrigerated warehouse space grew to 113 million cubic feet, from 63 million
- Revenue increased 34%, to \$114 million
- Earnings from operations increased 27%, to \$36 million
- Our asset base grew by 75%, to \$412 million
- Our equity increased 111%, to \$226 million at March 6, 2001
- Our market capitalization is over \$300 million as of April 30, 2001, an increase from \$130 million on January 2, 2000
- Trust units provided 47% total return
 - Unit price as of April 30, 2001 increased to \$9.25 from \$7.10 on January 2, 2000
 - Distribution of 0.92¢ paid to Unitholders during 2000

ACS

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Chairman's Letter to Unitholders and Debenture Holders

The past year saw the major acquisition of Atlas Cold Storage and, in early 2001, the successful issue of \$54 million of Trust units. With a solid operating base and sound financial structure, the Trust is poised for future growth.

In the four years since ACS Freezers Income Trust (formerly Associated Freezers Income Trust) (the "Trust") went public, we have grown into the fourth largest public refrigerated warehouse business in North America, and the sixth largest in the world.

We now have 31 facilities across Canada and in the United States, operating a total of 113 million cubic feet of refrigerated warehouse space. We derive about 39% of our revenue in Canada and 61% in the United States.

Acquisition of Atlas Cold Storage

In August 2000, the Trust acquired Atlas Cold Storage in exchange for 4,800,000 special shares of the Trust's main operating subsidiary, at an effective price of \$7.29 per unit (total of \$35 million), which shares are exchangeable into an equal number of Trust units. At the same time, TD Capital Group Limited ("TD Capital") became a significant capital partner in the Trust when it purchased 4,800,000 Trust units at \$7.29 per unit, for total cash of \$35 million.

The Atlas acquisition gave the Trust eight highly efficient distribution centers, an advanced management information system and a strong and proven management team, including Chief Executive Officer, Patrick A. Gouveia and Chief Financial Officer, Andrew W. Peters. It also gave the Trust a greater diversity of customers, products and geographic locations, helping to minimize some of the risks inherent in the public refrigerated warehouse business.

Financing

The Atlas acquisition enabled the Trust to reduce its bank debt with the capital infusion of \$35 million from TD Capital, and to extend the term of many of its remaining bank loans until early 2002.

In March 2001, the Trust completed a successful issue of 6,185,062 Trust units at \$8.70 per unit (total of \$53.8 million). As part of the units issue, management and TD Capital subscribed for 1,935,000 units at \$8.70 per unit (total \$16.8 million). With the issue's net proceeds, \$51 million, the Trust further reduced outstanding bank term loans to \$133 million, against total Trust assets of \$412 million.



The issue significantly improved the Trust's financial position, as reflected in the proforma consolidated balance sheet of the Trust found in the accompanying financial statements.

The Trust is currently working to refinance its remaining bank term debt, and expects to complete this task by mid-2001.

New Senior Management

The Trust welcomes Patrick A. Gouveia as its new Chief Executive Officer and Andrew W. Peters as its new Chief Financial Officer. Their original share ownership in Atlas, and their subscription for Trust units in the recent public offering, gives them a significant financial stake in the Trust. Mr. Gouveia and Mr. Peters have extensive industry experience, and are well suited to lead the Trust through its next stage of growth.

Our thanks go to former President, Raymond Biggar, who left the company at the time of the Atlas acquisition. Mr. Biggar led the Trust's management team through its initial stages of growth. Our thanks also go to Paul Nicoletti who acted as Chief Financial Officer during that period.

Board of Directors

As a result of the Atlas acquisition Patrick A. Gouveia and Andrew W. Peters have joined the Board of Directors, as well as Joseph Wiley, a representative of TD Capital, and Jeffrey Rosenthal, an independent director. Remaining board members include Jack Scott, Robert Gillespie, and myself as Chairman.

I would like to thank Ian Cairns, Roy Hogg and Jack Lawrence, who have retired from the Board, for their considerable help with the early growth of the Trust.

Outlook

The actions taken in fiscal 2000 have given the Trust an extremely strong base on which to build. We have a proven, experienced management team intent on achieving continued growth, a broad business base and sound financial ratios.

Our business opportunities are many—and we intend to capitalize on them.

On behalf of my fellow trustees, Al Bellstedt and Michael Wilson, I welcome new unitholders from our recent equity issue. With you, we look forward to the future continued success of the Trust.



*J. Nicholas Ross
Chairman and Trustee*

A handwritten signature in blue ink that reads "J. Nicholas Ross".



Chief Executive Officer's Report

**We Have Positioned the
Company for the Future**

Entering 2001, our company has:

- North America's fourth largest public refrigerated warehouse business, with 31 facilities in Canada and the U.S.
- North America's only bilateral network of frozen food warehouses
- A dominant position in regional markets
- State-of-the-art facilities and information technology
- An experienced management team with substantial ownership
- A strengthened, renewed financial position

Year 2000 Recap

We are pleased to report the excellent results of the ACS Freezers Income Trust for the year ended December 31, 2000.

On August 11, 2000, Associated Freezers completed its merger with Atlas Cold Storage. The merger created the fourth largest temperature-controlled distribution network in North America, with 31 facilities and 113 million cubic feet of refrigerated warehouse space. With the merger, the trade name of Associated Freezers - along with its various operating companies in Canada and the United States - became Atlas Cold Storage.

After the merger, we moved quickly and decisively to integrate the new company. We streamlined marketing, accounting and senior management functions, consolidated the corporate office, eliminated duplicate functions, and aligned company-wide risk management and employee benefit programs, all of which resulted in substantial cost savings.

We are currently developing a common information system for the entire network, and expect to complete the conversions by summer 2001.

The merger has provided a larger and more diverse customer base in a number of our regional centers, creating opportunities to build capacity and achieve more efficient use of our facilities.



Platform for Growth

Supporting a Growing Industry

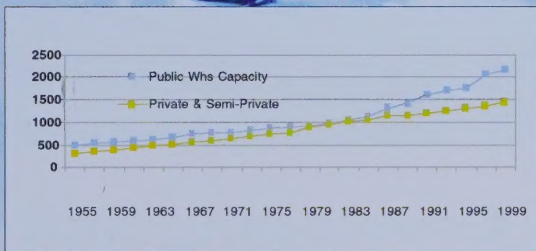
Over the past five years, consumption of frozen and chilled foods grew at a compound growth in excess of five percent. Both segments of the frozen food industry (retail sales and food services) are seeing increasing demand for frozen food.

Consumers want the convenience, freshness and product variety that frozen foods offer. Processors and retailers are meeting consumer demand with innovative product offerings and premium private label products. The grocery sector accounts for 40 percent, or U.S. \$28.4 billion, of the total frozen food market (U.S. \$65 billion).

The food service industry is growing rapidly in response to changing consumer demands. Research shows that consumers now spend more than half their food purchases in areas other than a retail grocery store. Frozen foods now account for almost one-third of all food service industry sales, reflecting consumer demand for flexible choice, portion-controlled products and - above all - convenience.



The public refrigerated industry forms part of the growing logistics industry. Logistics is an integral part of our economy accounting for approximately 9.9 percent of U.S. Gross Domestic Product. The following chart highlights the growth of the public refrigerated warehouse capacity as compared with private and semi-private capacity. There is a trend to outsourcing.



Responding to Consumer Demands

The changing dynamics of food processing and distribution are creating new opportunities for Atlas Cold Storage. With increased internal demands for capital, both processors and retailers want supply chain partners who can provide asset and knowledge-based solutions.

The last decade has seen a worldwide consolidation of processing facilities and brand ownership in the food industry. Industry members are trying to achieve competitive advantage through scale and by acquiring key distribution channels. Consolidation has created redundant production capacity and is causing processors to realign facilities and modify their distribution channels.

Consolidation has also occurred in the retail sector, where major retailer chains are solidifying their market share by acquiring regional competitors. Today there are fewer retail chains, and within the retail chains there are larger store formats. The retail sector is also driving changes to the supply chain, by requiring suppliers to replenish store inventories more frequently in all product categories.





Developing and Leveraging the Platform for Growth

The Atlas merger created the fourth largest temperature-controlled distribution network in North America. Atlas operates across Canada, with distribution facilities from St. John's to Vancouver. Our U.S. operations are regionally clustered in the Midwest throughout Wisconsin, Minnesota and Northern Illinois, and in the southeast throughout Georgia and South Carolina.

This network gives Atlas a unique competitive advantage. We are the leading provider throughout Canada and have a commanding market position in five of the seven regions where we compete. This allows us to leverage both local and corporate resources in providing a competitively priced value-added service. Our strong regional market position enables us to increase our service offerings to include cross docking, freight consolidation programs, high-volume order assembly and logistical support services, while diversifying our customer base.

The scale of the network enables us to leverage our corporate services and continue investing in information technology. These investments will enable Atlas to concentrate on integrating supply chain services over the coming year.

Growth Strategy

Leveraging Market Presence

Distribution practices are changing as a result of the rationalization of processors and the trend towards large-scale processing operations. Until recently, the food industry and regional food processors stored and distributed their inventory locally. But today, brand processors send their finished products in large-scale shipments to the markets where their customers reside.

Where the Customers Are: Major Census Zones

Our strategy is to develop large-scale, highly efficient distribution centers in strategic locations (i.e. key census markets). As our customers develop new distribution channels in the major census zones, we are positioning Atlas to respond to their needs.

Changes to distribution patterns have shifted the emphasis from traditional services of storage and handling of bulk products, to more value-added services such as high-volume order assembly, freight consolidation and cross docking. With our strategically located facilities and state-of-the-art information management systems, Atlas can provide food processors with a flexible mix of high-volume order assembly and real-time information management services.

Completing the Canadian Chain



Calgary and Montreal

The Atlas network extends across Canada from St. John's to Vancouver, and includes major distribution centers in Dartmouth, Montreal, Toronto, and Vancouver. We are finalizing plans for a new 4 million cubic foot distribution facility in Calgary, as well as a 3.5 million cubic foot expansion of our Côte de Liesse facility in Montreal. At the end of 2002, our Canadian network will include 18 facilities operating a total of more than 54 million cubic feet of temperature-controlled space. These expansions will establish Atlas as the largest public refrigeration warehouse operator in Canada, as well as ensure our continued industry leadership with 35 percent market share.



Growing the U.S. Network

The U.S. public refrigeration warehouse industry offers a total capacity of 1.9 billion cubic feet. Three major operators dominate the industry, controlling a total of 834 million cubic feet or 44 percent of the national market.

There are numerous opportunities for Atlas Cold Storage, as a highly efficient value-added service provider, to enter regional U.S. markets. Atlas has developed a strong regional market position in the Southeast and Midwest, and our plan is to continue to grow from this market base.

U.S. Southeast

Atlas operates 30 million cubic feet in the U.S. Southeast, or 18 percent of this rapidly growing market. Atlas is well positioned to leverage its regional customer base to attract customers into Atlanta, a major census market. We have been concentrating on diversifying our existing customer base in poultry products by offering a range of value-added services to packaged goods processors. Our expansion in Cartersville, Georgia has provided us a requisite capacity to launch this effort. We will continue to penetrate the Atlanta market from our strong regional position in 2001.

Chicago area

Atlas has a long and successful history in the U.S. Midwest. From its beginnings as a small regional cold storage operator in Green Bay, Wisconsin, Atlas now operates 31 million cubic feet in Wisconsin and Minnesota, commanding a 25 percent market share in this region. The Chicago market is one of the largest distribution hubs in North America. We plan to leverage our existing Midwest customer base and market position and develop further our distribution service in the Chicago area. Our services will provide high-volume order assembly, cross-docking, and freight consolidation programs to some of North America's largest regional and national food processors.



A Disciplined Approach to Acquisitions

Atlas has a strategic, visionary approach to acquisitions. We select facilities in key census markets that complement our existing network. We would look to acquire in mature markets that cannot absorb additional new capacity. Through this approach, we will continue to strengthen our product mix and diversify our customer base.

A Diversified Service Base

The scale of Atlas' operations provides us with a well-diversified customer base, product mix and geographic network, as well as a talented pool of committed team members. We foresee increased opportunities to broaden our core services by leveraging our traditional services into other business segments. These services include:

1. supply chain management services
2. distribution and transportation services
3. management information system consulting
4. facility design and development, and
5. contract warehousing.

Growing with our Employees

We have implemented programs to promote continuous training and learning opportunities for our employees in all aspects of our business. We support and encourage our employees to continue their lifelong quest to improve their knowledge and skills.

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We have invested significantly in management information systems to keep up with changes to the supply chain and distribution practices. We recognize that our customers want us to manage their distribution channels as well as their inventory.

We have integrated the company's information exchange process with those of our customers, through Electronic Data Interchange ("EDI") and web-based exchanges to ensure accuracy and efficiency. Our focus goes beyond just the transmission of information. We provide value while recouping the costs of an ever-shortening life cycle for information technology. Our increased scale of operations allows us to leverage our investment in information system infrastructure throughout the network and into new business opportunities.

Investing in information technology will continue to be a top priority. We recognize that to be the industry leader, we must supply our customers with the information technology solutions they want and need. This commitment has led us to establish a team of in-house information technology specialists to deal with rapidly changing technologies.

Information Technology



Directing Resources to Meet the Challenges

Atlas is uniquely positioned to provide asset-based supply chain solutions with its solid financial base, strategically located temperature-controlled distribution centers and its industry leading information management systems. Our recent growth has allowed us to focus resources on creating new opportunities while leveraging our asset base.

We will accelerate the outsourcing of logistics over the next few years on an improved value proposition made possible by new technologies. In response to the demands of the marketplace for the outsourcing of logistical services, we have created a uniquely talented Special Projects Team. Team members work on the company's major outsourcing initiatives and also manage capital-intensive projects. Their success relies on developing an intimate knowledge of our customers' logistics operations, and through well-planned and executed transitions to new outsourcing models. We expect that the Team's initiatives will lead the growth of Atlas in the coming years.

Poised for Growth: Strengthened Financial Position

Following our recent trust unit equity issue on March 6, 2001, our current market capitalization is over \$300 million. The highly successful issue netted the Trust about \$51 million. We used the proceeds to reduce our bank term loans from \$184 million to \$133 million. Our strengthened position will enable the Trust to refinance its long-term debt on an attractive basis. We expect to complete this refinancing prior to the end of the second quarter of 2001. Our new financing will provide us the flexibility we need to ensure the continued successful growth of the Atlas network throughout North America.



Reinvesting in the Business: Distribution and Interest Reinvestment and Optional Cash Payment Plan ("DRIP Program")

The Trust instituted the Distribution and Interest Reinvestment and Optional Cash Payment Plan ("DRIP Program") in March 2000. The program provided the Trust with \$1.4 million in fiscal 2000. With the participation of TD Capital and our management team, who are contractually required to reinvest from 20 to 50 percent of their distributions for the next two years, the program should generate more than \$4.5 million per year. Proceeds from the DRIP Program are reinvested into the business to fund principal payment obligations and capital expenditures.

We wish to thank our employees for their dedication and thank our customers, unitholders and debenture holders for their ongoing support and confidence in ACS Freezers Income Trust.

We look to the future with confidence and enthusiasm!

Patrick A. Gouveia
President and Chief Executive Officer

March 23, 2001

ACS

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OVERVIEW

ACS Freezers Income Trust (the "Trust") is an open ended, limited purpose trust established under the laws of the Province of Ontario. The Trust provides unitholders with regular income distributions and the opportunity for capital appreciation through its ownership of Atlas Cold Storage Holdings Inc. ("Atlas" or "Atlas Holdings"). Atlas operates a network of thirty-one temperature-controlled distribution centers in North America. The network has been developed over the last four years since the Trust's establishment on February 25, 1997 through a series of acquisitions. During 2000, Atlas operated in seven regional markets throughout North America: Atlantic Canada, Quebec, Ontario and British Columbia; and throughout the Mid West United States, the American Heartland and South East United States with facilities based in Minnesota, Wisconsin, Illinois, Missouri, South Carolina and Georgia. Atlas is the fourth largest Public Refrigerated Warehouse ("PRW") provider in North America and the sixth largest in the world. Atlas and its various subsidiaries derive their revenue from the provision of PRW services, including storage, handling, and logistics management for frozen food processors, distributors and retailers. In addition to the above services, Atlas also leases refrigerated space to certain customers.

Atlas has also invested its financial resources into developing information systems, people and process technology. This investment forms the cornerstone for the continued expansion of the Atlas business and provides a competitive advantage to both Atlas and its customers.

Significant Acquisitions and Group Restructuring

Effective August 11, 2000 the Trust acquired Atlas Cold Storage Holdings Limited ("Atlas Limited"), a privately held Canadian corporation, in exchange for 4,800,000 unit equivalents at \$7.29 per unit representing a total consideration of \$35 million. Following the acquisition the name of the Trust was changed to ACS Freezers Income Trust and the name of its main subsidiary was changed to Atlas Cold Storage Holdings Inc. All of the operating subsidiaries operate under the Atlas Cold Storage name.

In conjunction with the acquisition of Atlas Limited, TD Capital purchased 4,800,000 units of the Trust at \$7.29 per unit for a total cash consideration of \$35 million. The proceeds from this unit issue were used to reduce indebtedness.

The acquisition of Atlas provided the group with the following key assets:

- Addition of eight highly efficient distribution centers
- A strong and proven management team to lead the Trust into the future
- An advanced management information system.

In conjunction with the acquisition of Atlas Limited the Trust also entered into a long-term lease for two leased facilities in Green Bay and Appleton, Wisconsin owned by Spire Freezers Limited, a company indirectly owned and controlled by certain officers of Atlas Holdings.

Facility Expansions

Atlas continued the expansion of its refrigerated network of distribution centers in the year ended December 2000 with the expansion of its facilities in Moncton, New Brunswick and Cartersville, Georgia. In total Atlas developed an additional 6.2 million cubic feet at its distribution facilities. Prior to being acquired, Atlas Limited had undertaken and completed in 2000 an expansion of its Brooklyn Park, Minnesota facility with the addition of 1.6 million cubic feet and a 50-foot wide dock area specifically designed to improve the cross-dock operation conducted at this location.

The acquisition of Atlas Limited provided the Trust with an advanced Warehouse Management Information system, (the "Warehousing System"). The Atlas Limited facilities acquired in the purchase are equipped with radio frequency technology allowing for online, real time updating of the company's operating database from the warehouse operation. This technology is currently being deployed at all the Atlas facilities. At December 31, 2000 Atlas had successfully converted facilities in Gainesville, Georgia and Moncton, New Brunswick. Subsequent to the year-end, all the facilities in the United States and in Quebec have been successfully converted on to the Warehousing System. It is intended that all of the warehouse and distribution facilities will be on the same information-processing platform by July 2001. The conversion to the Warehousing System will provide Atlas with a unified information platform from which it can leverage new technologies and the development of knowledge-based application processing. These and other management information initiatives will continue to see Atlas positioned at the forefront of the logistics management industry. Atlas has successfully developed long term supply chain relationships with mid to large sized, high growth processors, retailers and producers, and is seen as a supply chain solution to the frozen food industry as well as a provider of high quality refrigerated space.

OPERATING RESULTS

Description of Operations

Atlas derives revenue primarily from providing public refrigerated services from its network of facilities in St John's, Newfoundland; Halifax, Nova Scotia (2 locations); Moncton, New Brunswick; Montreal, Quebec (4); Toronto, Ontario (6); South West Ontario (2); Delta, British Columbia; Minneapolis, Minnesota (2), Sikeston, Missouri; Appleton, Wisconsin; Green Bay, Wisconsin; Jefferson, Wisconsin (2); Chicago, Illinois; Greenville, South Carolina (2); Gaffney, South Carolina; Cartersville, Georgia; Pendergrass, Georgia; and Gainesville, Georgia.

The Trust provides local delivery and brokerage services in Ontario and Quebec as well as brokerage services across North America from its centers in Toronto, Ontario and Green Bay, Wisconsin.

The Trust operates a business model that has each operating segment of warehousing and logistical services as self-sustaining units, and any services offered between any two units are based on market rates. The brokerage division in Green Bay, Wisconsin is providing the Trust's customers with full logistical services not previously provided, and this has resulted in significant PRW revenue gains.



Revenues

Revenue rose to \$114.5 million in the year ended December 31, 2000, up from \$85.1 million in 1999 due mainly to the acquisition of Atlas (\$27.4 million of revenue for the period from August 11 to December 31, 2000), the expansion of the Moncton facility and the expansion of the Cartersville, Georgia facility, which commenced full operational activities in the third quarter of 2000.

In fiscal 2000, approximately 61 percent of revenue, or \$69.4 million, was generated in the U.S. versus 60 percent in 1999. PRW services represented 95 percent of revenue in 2000 (1999: 100 percent) and logistical and distribution services accounted for the balance. The increase in revenue from logistical and distribution services resulted from the acquisition of Atlas Limited's units providing such services. The company's PRW revenue comprises both fees for storage and handling services (91 percent) and revenue from lease rental (9 percent).

Operating and Administrative Expenses

The profit margin from warehousing services was consistent at 33 percent in both 1999 and 2000. Following the acquisition of Atlas Limited in August 2000, a number of significant changes were made to the Trust's administrative processes, including the migration to a single operating platform (as discussed above), the consolidation of four U.S. accounting departments into one, and the rationalisation of other aspects of the Trust's administration.

The major operating costs of the Trust are labour, electricity, realty taxes, ongoing maintenance and information systems management. The Trust controls labour costs through productivity initiatives. The acquisition of Atlas Limited in August 2000 provided the Trust with efficient and modern facilities in Ontario, British Columbia, Quebec and Missouri. To the extent possible, the Trust manages its exposure to fluctuating electricity prices through the use and the implementation of computerized utility management systems throughout its network of facilities. These utility management systems regulate power consumption and monitor refrigeration equipment. The implementation of the utility management systems throughout the network is an ongoing program, which is to be completed by the end of December 2001.

At present Atlas operates in two deregulated markets, Illinois and Georgia. The utility management systems allow the Trust to regulate and manage its consumption of electricity in these markets, and also in regulated markets. The Trust is positioning itself to manage its utility consumption effectively in the more complex electricity marketplace.



Earnings from Operations

In the year ended December 31, 2000, Atlas generated earnings from operations of \$36.1 million, up 28 percent from \$28.2 million in 1999, on revenue of \$114.5 million, up 35 percent from \$85.1 million in 1999.

The addition of logistical and distribution services in certain locations has resulted in a small increase in the overall operating profit of the Trust while increasing returns on its asset base. The Trust has been able to attract new customers to its warehousing services because of its ability to provide full logistical and distribution services. The Trust has minimal assets employed in the logistical and distribution services (\$0.05 million) and has limited exposure to fluctuations in the logistics market through the use of brokered services.

Interest Costs and Other Items

Interest costs on bank debt for the year were \$11.8 million or 10.3 percent of revenue, compared to \$9.9 million or 11.6 percent of revenue in 1999. The weighted average interest rate on bank borrowings in 2000 was 8.4 percent versus 8.7 percent in 1999 due to a general decrease in interest rates year over year, and the assumption of debt from Atlas Limited, which debt carried lower interest rates.

The total amount of interest paid and payable on the 12 percent convertible debentures was \$5.5 million versus \$3.0 million in 1999, the increase over 1999 resulting from the first full year of interest on the debentures. Since the debentures are redeemable at the Trust's option on maturity (or in certain circumstances, prior thereto) for Trust units, \$3.4 million of the interest thereon was treated, in effect, as a charge to equity (1999: \$1.7 million). The remaining \$2.1 million was expensed (1999: \$1.3 million).

Amortization

Amortization in 2000 was \$13.8 million or 12 percent of revenue (1999: \$16.3 million or 19 percent of revenue). Amortization of tangible capital assets accounted for \$9.0 million (1999: \$10.5 million), goodwill \$3.2 million (1999: \$4.4 million), and deferred financing charges \$1.6 million (1999: \$1.4 million). The decrease in the amortization of tangible fixed assets and goodwill resulted from the change in estimated useful lives implemented by the Trust in the fourth quarter of 1999.

The change in estimated useful lives resulted in the following changes to amortization rates:

Asset Class	Revised Amortization Rate	Original Amortization Rate
Buildings	2.5 percent straight-line	3.33% straight-line
<i>Warehousing and other equipment:</i>		
Refrigeration Equipment	5% declining balance	20% declining balance
Other Equipment	20% to 30% declining balance	20% to 30% declining balance
Goodwill	5% straight-line	10% straight-line



The change in estimated useful lives reflected detailed engineering analysis, life cycle experience and industry comparisons.

If the revised rates had been applied throughout 1999 the revised amortization charge would have been approximately \$11.8 million or 13.9 percent of revenue versus the \$14.9 million or 17.5 percent actually recorded for the year.

Taxation

The Trust recorded an expense for future taxes of \$0.8 million in 2000 versus a future tax recovery in fiscal 1999 of \$1.6 million. The expense in 2000 arises principally because of the tax effect of expenses not deducted and from the reductions in enacted tax rates, which reduce the future tax assets.

On January 1, 2000, the Trust changed its method of accounting for income taxes from the deferral method to the liability method of tax allocation as required by the CICA's Handbook Section 3465. This change resulted in the recognition of future tax assets of \$2.2 million as at January 1, 2000 and had the effect of increasing the Trust's cumulative earnings and equity by a corresponding amount as of that date. Management continually reviews the Trust's ability to utilize its tax losses within the corporate structure.

Income earned by the Trust that is distributable annually to unitholders is not subject to taxation in the Trust but is taxed at the individual unitholder level. Trust income for tax purposes that was distributed to unitholders with respect to the 2000 year was approximately \$8.8 million (1999: \$6.4 million).

The U.S. facilities acquired through the acquisition of Atlas Limited are owned and operated through Canadian corporations operating U.S. branches. As a result these entities are subject to U.S. income tax. In 2000 the company's current income tax expense with respect to U.S. branch operations was minimal. The company's large corporation tax on capital employed in Canada was \$0.3 million in 2000 and \$0.2 million in 1999. The increase was due to the acquisition of Atlas Limited.

Net Earnings

The net earnings of the Trust for the year ended December 2000 were \$7.4 million, versus a loss of \$3.9 million recorded in fiscal 1999.



Distributable Cash

Distributable cash is equal to the net earnings of the Trust for the period, adjusted for various non-cash items including amortization and future income taxes and for interest expensed on convertible debentures, less amounts retained by the Trust to pay interest payable on the convertible debentures and to fund sustaining capital expenditures, and any other reserve deemed prudent by the Board of Directors of Atlas Holdings.

In 2000 the Trust generated distributable cash of \$14.6 million, an increase of 25 percent from 1999. On a per unit basis, distributable cash declined to \$0.92 in 2000 from \$0.97 in 1999, reflecting the higher number of issued units and unit equivalents as a result of the issuance of units to TD Capital and of unit equivalents to shareholders of Atlas Limited in August 2000 (discussed above) and as a result of the additional units issued through the Distribution and Interest Reinvestment and Optional Cash Payment Plan (the "DRIP Program") introduced by the Trust in March 2000. Approximately 71 percent of the 2000 distribution (1999: 69 percent) represents a return of capital for tax purposes and therefore was not taxable to unitholders on a current basis, resulting in an after-tax yield to unitholders taxed at highest personal rates of 10 percent based on the year end closing market value of the units (1999: 11.5 percent)

Liquidity and Capital Resources

Cash provided by operating activities after interest payments was \$16.6 million in 2000, as compared with \$17.0 million in 1999.

The Trust applied cash of \$27.0 million (1999: \$8.2 million) to capital expenditures during the year. The major projects undertaken were the expansion of the Trust's facilities in Cartersville, Georgia (\$8.9 million); and Moncton, New Brunswick (\$6.7 million). Also, during the year the Trust paid \$2.7 million to satisfy a contingent obligation relating to the purchase of Jefferson Cold Storage, which was acquired in 1998.

In conjunction with the purchase of Atlas Limited in August of 2000, TD Capital subscribed for 4,800,000 units of the Trust at \$7.29 per unit for a net cash consideration of \$33.5 million (\$35.0 million gross less \$1.5 million in issue costs). These monies were used to repay debt in the acquired Atlas group of \$25.2 million and to pay \$8.3 million in business acquisition and restructuring charges. The Trust raised an additional \$1.4 million through the DRIP Program launched in March 2000. In 2001 the Trust anticipates raising in excess of \$4.5 million through the DRIP Program.



The Trust increased long-term debt by \$28.9 million in 2000. The increase was used to construct facility expansions in Cartersville, Georgia, and Moncton, New Brunswick at a total cost of \$15.6 million, to fund financing costs of \$2.5 million and convertible debt repayment of \$3.4 million, and the balance was used for working capital purposes.

Subsequent to the year end, on March 6, 2001, the Trust successfully completed the issue of 6,185,062 Trust units at a price of \$8.70 per unit for gross proceeds of \$53.8 million. The net cash proceeds of \$51.0 million, after expenses of the issue, was applied to reduce the Trust's outstanding bank term loans to \$133 million, against total assets of \$412 million. The remaining bank term loans, which mature largely in early 2002, are currently being renegotiated. Management is confident that it will be successful in such renegotiation.

BUSINESS RISK

Revenue

Fluctuations in the demand for food services and consumer demand for frozen food will affect cash flows generated by Atlas. Atlas has been successful in the past in retaining customers and securing new accounts through the continued marketing of its services, thereby reducing the risk to cash flow fluctuation. However there is no assurance that revenues generated in fiscal 2000 will be repeated in future years.

The number of Atlas facilities, its geographic diversity, and broad customer base limit its exposure to changes in demand arising from any one frozen food product, commodity, customer, or region. Where possible Atlas mitigates the risk to its PRW revenue and leasing revenue by entering into long-term contracts with major frozen food producers to guarantee minimum revenues from each of its distribution centers. The major agreements can be summarized as follows:

- The Missouri facility is a dedicated distribution center with 7 years remaining on a long-term contract. The contract contains minimum storage requirements that must be met by the customer.
- The Quebec operation has long-term lease agreements with an average of 6 years remaining. Lease revenue accounts for approximately 32 percent of revenue.
- The Vaughan, Ontario facility was built in response to a long-term contract with a major frozen food manufacturer. The agreement provided Atlas with a guarantee that all of the customer's product in the Province of Ontario be stored at an Atlas facility. This provided an effective guarantee over minimum storage quantity.
- The Trust has in place various agreements with frozen food manufacturers and retailers at its facilities throughout North America, which guarantee prices and quantities over the short to medium term (1 through 3 years). The agreements cover facilities in British Columbia, Ontario, Quebec, Wisconsin, Minnesota, South Carolina and Georgia.



Competitors

Atlas faces competition from many sources throughout North America. Some of Atlas' competitors have substantially greater resources with which to pursue internal expansion projects, acquisitions, technological innovation, and marketing initiatives. Aggressive expansion or new and innovative service introductions by Atlas' competitors could cause a decline in revenue or loss of market share for Atlas.

Operational Risk

Operational risk refers to risk that a loss will be incurred as a result of irregularities, error, systems failure, or non-compliance with Atlas' plant policies and procedures, potentially resulting in the spoilage of temperature-controlled products. Operational risk at Atlas is managed by a system and process designed to safeguard against such occurrences. Atlas has systems in place and a recovery plan to respond immediately to systems failure or catastrophic events.

Foreign Exchange Risk

The Trust derives approximately 61 percent of its revenue from the United States. Forecasted operating cash flow from U.S. operations for the ensuing year is hedged through the use of Canadian dollar call options entered into with major financial institutions. The Trust hedges a part of its currency exposure to its investment in facilities in the United States through borrowings denominated in U.S. dollars.

Interest Rate Risk

Atlas has mitigated interest rate risk through the use of fixed rate agreements and interest rate swaps. Based on the amount of floating rate debt outstanding following the equity issue on March 6, 2001, every 1 percent increase in interest rates reduces Atlas' earnings by approximately \$1.0 million or approximately 2 cents per unit. When interest rates fall, the reverse is true. The Trust utilizes derivatives to reduce its exposure to interest rate movements. The Trust has entered into floating to fixed rate interest swaps matched to the term and amount of certain of its outstanding debts.

Dependence on Key Personnel

The highly competitive market for qualified personnel could adversely affect Atlas' ability to attract and retain competent managerial, sales, marketing, and technical personnel. Atlas has entered into employment agreements with its two senior executives to provide continuity of management at a senior level. These agreements include non-compete provisions.



Employee Relations

Atlas has unionized operations in Ontario, Quebec, Atlantic Canada and Minnesota. No labour stoppages have occurred since the incorporation of the Trust, however future strikes or lockouts could restrict Atlas' ability to service its customers in the above noted regions, consequently impacting revenue. Atlas has entered into collective bargaining agreements at its unionized facilities, with expiry dates ranging from April 30, 2001 to June 30, 2004. Management believes labour relations with Atlas' unions are good.

OUTLOOK

The provision of supply chain solutions to the food industry continues to be a rapidly expanding market with the trend among food processors to outsource the storage and distribution of their finished goods and raw materials. Atlas' strategy is to position itself as a key supplier of supply chain solutions to mid and large size and high growth companies. These relationships with our targeted customers, together with the development of modern highly efficient distribution centers and the application of advanced information management systems have positioned Atlas to be a leading low cost provider of supply chain solutions. The Trust's revenue growth will be driven by expanding service offerings in current markets and through its ability to provide these services at a low cost while maintaining the high quality of its service offerings.

Atlas expects continued growth in the Canadian market in 2001 due to the first full year of operating activities for its Delta, British Columbia distribution center and the expansion of the Moncton, New Brunswick facility. Growth will also be derived through the continued growth in Quebec and Ontario for frozen food supply chain services.

Atlas anticipates continued revenue growth in the United States resulting from the opening of expansions in Brooklyn Park, Minnesota and Cartersville, Georgia. These facilities were completed in July 2000.

The Trust has developed a strong regional presence in the key markets of Central Canada, the U.S. Mid West and the U.S. Southeast. The Trust will leverage its market position to expand its service offerings and customer base.

Atlas is continuing to grow its business through the planned expansion of its St. Laurent, Quebec facility in 2001. Atlas also has plans to expand its facilities in Vaughan, Ontario and North Eastern Illinois and plans to construct a new facility in Calgary, Alberta to complete its Canadian network. If these projects proceed, they will be funded through a combination of debt and equity financing.

The Trust will continue to invest in operating and financial management systems to improve the efficiency of its operations. The first stage of this investment has been the implementation of the common Warehousing System and distribution platform through the United States and into Canada in early 2001.



Atlas also expects to continue to improve its profit margins through the continued development of its information and management systems and through the continued integration of the administrative functions of the two companies following the acquisition of Atlas Limited. The Trust expects improved operating results from the first full year of operation at its Delta, British Columbia facility as well as operating gains from the first year expansions at Brooklyn Park, Minnesota; Cartersville, Georgia; and Moncton, New Brunswick.



In the years ahead and based on the current size of the network, Atlas intends to incur sustaining capital expenditures of approximately \$5.0 million in each year, but this amount will change as new facilities are developed or acquired, or if circumstances change. This amount will be funded through the sustaining capital expenditure reserve deducted from distributable cash.

Based on strong customer demand and current industry trends, the Trust unitholders can expect to see a revised emphasis on growth through the expansion of existing facilities, the development of new green field sites and additional acquisitions.

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Consolidated Financial Statements

ACS Freezers Income Trust

December 31, 2000 and 1999

MANAGEMENT'S REPORT

The consolidated financial statements of ACS Freezers Income Trust have been prepared by the Administrator and approved by the Board of Directors of Atlas Cold Storage Holdings Inc. and by the Trustees of the Trust. The Administrator is responsible for the preparation and the presentation of the information contained in these consolidated financial statements and other sections of this Annual Report. The Trust maintains appropriate systems of internal control, policies and procedures which provide management with reasonable assurance that assets are safeguarded and the financial records are reliable and form a proper basis for preparation of financial statements.

The Trust's independent auditors, Ernst & Young LLP, have been appointed by the Trustees to express a professional opinion on the fairness of the consolidated financial statements. Their report is included below.

The Board of Directors and the Trustees ensure that the Administrator fulfills its responsibilities for financial reporting and internal control through an Audit Committee. This committee reviews the consolidated financial statements and reports to the Board of Directors. The auditors have full and direct access to the Audit Committee.



Patrick A. Gouveia
Chief Executive Officer



Andrew W. Peters
Chief Financial Officer

AUDITORS' REPORT

To the Unitholders of

ACS Freezers Income Trust

We have audited the consolidated balance sheets of ACS Freezers Income Trust as at December 31, 2000 and 1999 and the consolidated statements of earnings (loss), cumulative earnings (losses), distributable cash, cumulative distributions and cash flows for the years then ended. These financial statements are the responsibility of the Administrator of the Trust. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Administrator, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
March 23, 2001.

Ernst & Young LLP
Chartered Accountants



CONSOLIDATED BALANCE SHEETS

[stated in thousands of dollars]

As at December 31

	Proforma 2000 \$ [note 18]	Actual 2000 \$	1999 \$
ASSETS			
Current			
Cash and cash equivalents	2,117	2,117	3,791
Accounts receivable	18,771	18,771	8,160
Prepaid expenses	1,093	1,093	806
Total current assets	21,981	21,981	12,757
Capital assets [note 5]	312,923	312,923	177,420
Goodwill [note 6]	67,762	67,762	42,356
Deferred financing costs [note 7]	5,128	5,128	2,177
Future income taxes [note 14]	4,018	4,018	494
	411,812	411,812	235,204
LIABILITIES			
Current			
Operating bank indebtedness	2,052	2,052	—
Accounts payable and accrued liabilities	16,529	16,529	13,959
Income taxes payable	1,848	1,848	—
Deferred revenue	4,191	4,191	2,347
Distributions payable	4,732	4,746	3,278
Current portion of bank term loans [note 8]	328	328	1,000
Current portion of convertible debentures [note 9]	3,858	3,858	3,460
Total current liabilities	33,538	33,552	24,044
Bank term loans [note 8]	132,544	183,578	86,899
Convertible debentures [note 9]	11,941	11,941	15,711
Future income taxes [note 14]	7,694	7,694	—
Special shares of subsidiary [note 2[b]]	—	—	1,183
Total liabilities	185,717	236,765	127,837
TRUST EQUITY [note 11]			
Number of Outstanding Units and Equivalents			
	Proforma 2000	Actual 2000	1999
Capital contributed by:			
Unitholders	23,026,005	16,723,136	11,216,004
Shareholders of subsidiary	5,492,292	5,435,003	926,539
Total capital contributed	28,518,297	22,158,139	12,142,543
Distributions to be reinvested [note 11[c]]	—	428	—
Equity component of convertible debentures [note 9]	28,361	28,361	24,989
Cumulative convertible debentures equity accretion [note 9]	(5,405)	(5,405)	(1,984)
Cumulative foreign currency translation account	725	725	(404)
Cumulative earnings (losses)	4,103	4,103	(5,416)
Cumulative distributions	(42,041)	(42,041)	(27,366)
Trust equity	226,095	175,047	107,367
	411,812	411,812	235,204

See accompanying notes

On behalf of the Trustees:


 J. Nicholas Ross
 Trustee


 Albrecht W.A. Bellstedt
 Trustee


CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

[stated in thousands of dollars]

Years ended December 31

	2000 \$	1999 \$
REVENUE		
Fees from warehousing services	108,895	85,121
Fees from logistical and distribution services	5,646	—
	114,541	85,121
OPERATING AND ADMINISTRATIVE EXPENSES		
Warehousing services	72,856	56,887
Logistical and distribution services	5,619	—
	78,475	56,887
Earnings from operations	36,066	28,234
OTHER EXPENSES		
Interest on bank term loans	11,761	9,879
Interest on convertible debentures [note 9]	2,060	1,338
Costs relating to termination of CMI contract [note 13[b]]	—	5,030
	13,821	16,247
Earnings before amortization and income taxes	22,245	11,987
Amortization	13,783	16,307
Earnings (loss) before income taxes	8,462	(4,320)
Provision for (recovery of) income taxes [note 14]		
Current	342	1,199
Future	769	(1,615)
	1,111	(416)
Net earnings (loss) for the year	7,351	(3,904)

CONSOLIDATED STATEMENTS OF CUMULATIVE EARNINGS (LOSSES)

[stated in thousands of dollars]

Years ended December 31

	2000 \$	1999 \$
Cumulative losses, beginning of year		
As previously reported	(5,416)	(1,512)
Effect of change in accounting policy [note 3]	2,168	—
As restated	(3,248)	(1,512)
Net earnings (loss) for the year	7,351	(3,904)
Cumulative earnings (losses), end of year	4,103	(5,416)

See accompanying notes

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CONSOLIDATED STATEMENTS OF DISTRIBUTABLE CASH

[stated in thousands of dollars, except per unit amounts]

Years ended December 31

	2000 \$	1999 \$
Net earnings (loss) for the year	7,351	(3,904)
Add (deduct):		
Amortization of:		
Capital assets	9,013	10,506
Deferred financing costs	1,563	1,439
Goodwill	3,207	4,362
	13,783	16,307
Costs relating to termination of CMI contract [note 13[b]]	—	5,030
Interest on convertible debentures expensed	2,060	1,338
Future income taxes	769	(1,615)
Amounts retained by the Trust for:		
Interest paid and payable on convertible debentures	(5,520)	(3,002)
Sustaining capital expenditures	(3,821)	(2,500)
Total distributable cash earned for the year	14,622	11,654
Actual distributions for the year	14,675	11,652
Total distributable cash earned per unit	\$0.92	\$0.97
Actual distributions per unit	\$0.92	\$0.97

Reference is made to note 11[e] with respect to the Trust's distributions policy

CONSOLIDATED STATEMENTS OF CUMULATIVE DISTRIBUTIONS

[stated in thousands of dollars]

Years ended December 31

	2000 \$	1999 \$
Cumulative distributions, beginning of year	27,366	15,714
Actual distributions for the year	14,675	11,652
Cumulative distributions, end of year	42,041	27,366

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

[stated in thousands of dollars]

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Years ended December 31

	2000 \$	1999 \$
OPERATING ACTIVITIES		
Net earnings (loss) for the year	7,351	(3,904)
Add (deduct)		
Amortization	13,783	16,307
Future income taxes	769	(1,615)
Non-cash consideration relating to termination of CMI contract [note 13[b]]	—	4,830
	21,903	15,618
Net change in non-cash operating working capital balances [note 15]	(5,277)	1,366
Cash provided by operating activities	16,626	16,984
INVESTING ACTIVITIES		
Construction and development of new warehouses and distribution centers	(18,232)	—
Acquisition of other capital assets	(8,779)	(8,216)
Business acquisition and restructuring costs [note 2[a]]	(8,343)	—
Additional consideration on previous acquisition [note 2[c]]	(2,696)	—
Cash used in investing activities	(38,050)	(8,216)
FINANCING ACTIVITIES		
Issuance of convertible debentures [note 9]		
Liability component	—	21,189
Equity component	—	22,971
Repayment of liability component of convertible debentures	(3,421)	(2,018)
Proceeds from long-term debt	28,924	3,997
Repayment of long-term debt	(25,046)	(40,777)
Deferred financing charges	(2,615)	(2,665)
Issuance of Trust units [note 11[b]]	34,933	—
Cash provided by financing activities	32,775	2,697
DISTRIBUTIONS		
Cash distributions paid	(12,566)	(11,375)
Foreign exchange loss on cash and cash equivalents held in foreign currency	(459)	(509)
Net decrease in cash and cash equivalents during the year	(1,674)	(419)
Cash and cash equivalents, beginning of year	3,791	4,210
Cash and cash equivalents, end of year	2,117	3,791
Supplemental cash flow information		
Interest paid	17,442	13,380
Income taxes paid	1,074	709

See accompanying notes



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[stated in thousands of dollars, except per unit amounts]

December 31, 2000 and 1999

1. STATUS AND OPERATIONS OF THE TRUST

ACS Freezers Income Trust [previously known as Associated Freezers Income Trust] [the "Trust"] is an open-ended, limited purpose trust established under the laws of the Province of Ontario by a Declaration of Trust dated February 25, 1997, as amended and restated as of May 14, 1997, May 12, 1999 and August 9, 2000. The Trust had nominal assets until the acquisition of its initial subsidiary on May 27, 1997.

The Trust, through its wholly-owned subsidiary, Atlas Cold Storage Holdings Inc. [previously known as Associated Freezers Ltd.] ["Atlas Holdings", or, in its capacity as Administrator of the Trust, the "Administrator"] and the subsidiaries of Atlas Holdings, operates a Canadian and a United States based network of refrigerated warehouse facilities providing temperature-controlled storage, handling and logistics management services. In addition, the Trust provides logistical and distribution services through certain wholly or jointly-owned corporations. All of the Trust's subsidiaries operate under the business name of Atlas Cold Storage.

2. BUSINESS ACQUISITIONS

- [a] Effective August 11, 2000, the Trust acquired 100% of the common shares of Atlas Cold Storage Holdings Limited ["Atlas Limited"] for 4,800,000 Special shares of Atlas Holdings issued from treasury at \$7.29 per share [total \$35,000], which shares are exchangeable for an equal number of Trust units [note 11[b]]. The acquisition was accounted for using the purchase method, whereby the results of operations have been included in the consolidated financial statements commencing August 11, 2000. In conjunction with this acquisition, a subsidiary of the Trust entered into a long term lease for facilities in Green Bay, Wisconsin [note 13[a]].

The assets acquired and the liabilities assumed are as follows:

	\$
Current assets	5,033
Capital assets and other	110,243
Total assets	115,276
Current liabilities	(11,186)
Long-term debt	(85,667)
Total liabilities	(96,853)
Net identifiable assets acquired	18,423
Goodwill acquired	24,920
	43,343

2. BUSINESS ACQUISITIONS (continued)

	\$
Consideration:	
Special shares of Atlas Holdings [note 11[b]]	35,000
Acquisition and restructuring costs of the transaction	8,343
	43,343

In conjunction with the above business acquisition, the Trust issued 4,800,000 Trust units to TD Capital Group Limited ["TD Capital"] for cash proceeds of \$35,000 at \$7.29 per unit. Costs of this issue were \$1,500 for net proceeds of \$33,500 [note 11[b]].

- [b] During 1999, the Trust renegotiated its remaining obligation for the purchase of the assets of its subsidiary, Modern Cold Storage Company Inc. ["Modern"], by adjusting the value of previously issued special shares to \$1,183 [U.S. \$800], and by the issuance of non-interest bearing notes totalling \$2,520 [U.S. \$1,750] payable in equal installments of \$840 [U.S. \$583] on January 15, 2000, February 15, 2000 and March 15, 2000, respectively. The additional net consideration of \$2,460 was recorded in 1999 as goodwill arising from the purchase of Modern, which occurred during 1998.

The above special shares were redeemed through the issue of 189,906 Trust units, at a price of \$6.23 per Trust unit [total \$1,183] on January 1, 2000 [note 11[b]].

- [c] During 2000, the earnings targets in the purchase agreement for the assets of the Trust's subsidiary, Jefferson Cold Storage Limited, were achieved, resulting in the additional payment of \$2,696 [U.S. \$1,798]. This additional consideration was recorded as an increase to the goodwill of the original acquisition, which occurred during 1998.

3. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2000, the Trust changed its method of accounting for income taxes from the deferral method to the liability method of tax allocation as required by The Canadian Institute of Chartered Accountants' Handbook Section 3465, "Accounting for Income Taxes". As permitted under the new guidance, prior year financial statements have not been restated.

The cumulative effect of this change as of January 1, 2000 was to increase the Trust's cumulative earnings and equity by \$2,168. For the year ended December 31, 2000, application of the new income tax rules did not have a material effect on net earnings for the year and had no effect on distributable cash earned for the year.



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Trust have been prepared by the Administrator in accordance with Canadian generally accepted accounting principles and within the framework of the accounting policies summarized below:

Basis of consolidation

These consolidated financial statements include the accounts of the Trust and its directly and indirectly-owned subsidiary companies.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks, and investments with a maturity when acquired of three months or less.

Capital assets

Capital assets are initially recorded at cost. Government grants received are applied to reduce the cost of the related capital assets. Amortization is provided as follows:

Buildings	40 years straight-line
Warehousing and other equipment	5% to 20% declining balance
Computer equipment and application software	20% to 30% declining balance

Leasehold improvements are recorded at cost and amortized on a straight-line basis over the term of the related lease.

During the development stage of a new warehouse, all direct acquisition, construction, development and overhead costs directly attributable to the construction or development activity are capitalized. Interest, carrying costs and general and administrative costs directly attributable to the acquisition, construction or development of the project are also capitalized. Any rental revenues earned during the development stage are applied against the cost of the assets. Commercial operations are deemed to commence, and the development stage is deemed to end, when the location operates at a minimum of 60% of its designed capacity for at least two months, and at a time normally no longer than 2 years after the date of commencement of operations.

Warehouses under development are not amortized, provided that the capital cost of the new location does not exceed its recoverable amount.



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill is amortized on a straight-line basis over its estimated useful life of 20 years. The Trust evaluates its goodwill annually to determine potential impairment by comparing the carrying value to the undiscounted cash flows of the respective operations.

Deferred financing costs

Deferred financing costs consist of financing fees incurred in connection with the issue of debt or the establishment of credit facilities. The financing fees are amortized on a straight-line basis over the term of the related debt or credit facility.

Income taxes

The Trust records income taxes using the tax liability method. Under this method, future income taxes are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax bases, using enacted income tax rates for the years in which the differences are expected to reverse.

Convertible debentures

As the principal portion of the convertible debentures can be settled by the Trust by the issuance of Trust units, the debenture obligations are, for accounting purposes, classified partly as a liability and partly as Trust equity. The liability component is the present value of the required interest payments, discounted at an interest rate approximating that which would have been applicable to non-convertible subordinated debt at the time the debentures were issued. Interest paid and payable on the convertible debentures is recorded as a repayment of the liability component, and interest on the liability component is recorded as an expense. The equity component is accreted over the term of the convertible debentures through periodic charges to Trust equity such that, on maturity, the equity component equals the principal amount, less issuance costs relating to the equity component, at the date of issue.

Revenue recognition

Revenue is derived primarily from handling, logistics management and storage services and is recognized as the services are provided. Amounts billed in advance of providing the services are recorded as deferred revenue.



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

As a result of additional operations and experience, together with relevant industry information, the Trust revised the estimated useful lives of certain capital assets and goodwill during 1999. The change in estimate commenced in the fourth quarter of 1999 and resulted in a decrease in amortization expense in the fourth quarter of \$1,500. Amortization expense in 1999 would have been reduced by a further \$4,500 if the change in estimate had commenced on January 1, 1999. The change in estimate had no effect on distributable cash.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars using the temporal method of foreign currency translation. Under this method, non-monetary items and revenue and expenses are translated at the rate of exchange in effect on the transaction dates, and monetary items are translated at the rate of exchange in effect at the consolidated balance sheet dates. Exchange gains or losses are included in net earnings for the year.

Assets and liabilities of foreign subsidiaries are translated using the exchange rate in effect at year end. Revenue and expenses are translated at the average rate prevailing during the year. Exchange gains and losses on translation of the Trust's net equity investment in these subsidiaries are deferred as a separate component of Trust equity. The appropriate amounts of exchange gains or losses accumulated in the separate component of Trust equity are reflected in earnings when there is a reduction in the Trust's investment in these subsidiaries as a result of capital transactions.

Foreign currency contracts and options

The Trust enters into foreign currency contracts and options to minimize its exposure to fluctuations in foreign currency exchange rates. These contracts and options are intended normally to hedge the ensuing year's cash flow from the Trust's self-sustaining U.S. subsidiaries. When the foreign exchange contracts and options are considered effective hedges, exchange gains or losses are included in the cumulative foreign currency translation account in Trust equity. In the event that they are not considered effective hedges, exchange gains or losses are included in net earnings for the year.





4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest rate swaps

Interest rate swaps are used to manage exposures related to interest rates. Payments and receipts under interest rate swap contracts are recognized as adjustments to interest expense on a basis that matches them with the related fluctuations in the interest payments under floating rate financial liabilities.

Unit-based compensation plan

The Trust has a unit-based compensation plan in place as described in *note 12*. No compensation expense is recognized for this plan when units or options on units are issued to trustees, officers, directors or employees. Any consideration paid by trustees, officers, directors or employees on exercise of options on units is credited to Trust equity. If units or options on units are repurchased from trustees, officers, directors or employees, the excess of the consideration paid over the carrying amount of the units or options on units cancelled is charged to Trust equity.

Total distributable cash earned per unit

Total distributable cash earned per unit for the year is the aggregate of distributable cash earned per unit amounts determined at each distribution record date during the year, calculated by dividing the distributable cash earned since the preceding distribution record date by the number of units and exchangeable units outstanding on the record date. The potentially dilutive effect of the convertible debentures and options on units are not reflected in the calculation.

5. CAPITAL ASSETS

Capital assets consist of the following:

	2000		1999	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Land	26,537	—	14,614	—
Buildings	234,275	13,759	138,683	9,190
Warehousing and other equipment	71,477	15,623	39,715	11,741
Computer equipment and application software	6,526	1,512	3,863	1,065
Leasehold improvements	4,161	173	75	22
Assets under development	1,014	—	2,488	—
	343,990	31,067	199,438	22,018
Less accumulated amortization	31,067		22,018	
	312,923		177,420	

During the year, interest was capitalized during the construction and development of the expansion of the warehouse facilities in Moncton, New Brunswick and Cartersville, Georgia. The total amount capitalized during the year was \$744 [1999 - nil].

6. GOODWILL

Goodwill consists of the following:

	2000	1999
	\$	\$
Goodwill	80,183	51,570
Less accumulated amortization	12,421	9,214
	67,762	42,356



7. DEFERRED FINANCING COSTS

Deferred financing costs consist of the following:

	2000 \$	1999 \$
Deferred financing costs	10,871	6,357
Less accumulated amortization	5,743	4,180
	5,128	2,177

8. BANK TERM LOANS

Bank term loans consist of the following:

	2000 \$	1999 \$
Revolving bank term loan [a]	17,073	3,844
Non-revolving bank term loan [b]	19,333	—
Revolving bank term loan [U.S. \$69,615] [c]	104,389	84,055
Demand non-revolving loan [d]	10,000	—
Term loan facility [U.S. \$7,315] [e]	10,968	—
Revolving credit facility [U.S. \$549] [f]	823	—
Commercial development note [U.S. \$1,324] [g]	1,985	—
Term loan [U.S. \$11,965] [h]	17,942	—
Equipment financing loans [i]	1,393	—
	183,906	87,899
Less current portion	328	1,000
	183,578	86,899



8. BANK TERM LOANS (continued)

Details concerning the bank term loans are as follows:

- [a] A subsidiary of the Trust has a revolving Canadian dollar bank term loan available to a maximum of \$26,677 reducing by \$500 on March 31, 2001, June 30, 2001 and September 30, 2001, which bears interest at rates varying with the bank's prime lending rate plus 1% to 2% and is repayable at maturity on January 1, 2002. As at December 31, 2000, the effective interest rate on the revolving bank term loan was 8.98%. Under its loan agreement, and without varying the terms of repayment, the subsidiary can, at its option, convert any or all of its indebtedness into bankers' acceptances. On October 11, 2000, the subsidiary converted \$6,340 of its bank term loan into a bankers' acceptance expiring on April 9, 2001. The effective interest rate on the bankers' acceptance was 8.50%.

The amount outstanding on this loan was repaid on March 6, 2001 [note 18].

- [b] A subsidiary of the Trust has a non-revolving Canadian bank term loan, which bears interest at a fixed rate of 8.3%, and is repayable at maturity on January 1, 2002. This loan was repaid on March 6, 2001 [note 18].
- [c] A subsidiary of the Trust has available a revolving U.S. dollar credit facility to a maximum of U.S.\$71,000, of which U.S.\$69,615 had been utilized at December 31, 2000. The loan bears interest at rates varying with the bank's base lending rate plus currently 2.75%, and is repayable at maturity on January 1, 2002. As at December 31, 2000, the effective interest rate was 9.13%. Under the loan agreement, the subsidiary can, at its option, convert any or all of its indebtedness into a LIBOR loan plus an applicable margin of 2% to 3%. The subsidiary has converted the following amounts into LIBOR loans as at December 31, 2000:

Value date	U.S.\$	Maturity date	Effective interest rate %
September 29, 2000	1,750	March 29, 2001	9.493
October 11, 2000	11,000	January 9, 2001	9.552
December 29, 2000	55,000	June 27, 2001	8.956
	67,750		

An amount of U.S.\$9,077 of this loan was repaid on March 6, 2001 [note 18].

Collateral for the loans described in [a] through [c] includes a first security interest and fixed and floating debenture over all property owned by certain subsidiaries of the Trust. Another subsidiary of the Trust has pledged its shares and notes of the borrower as collateral under this facility.



8. BANK TERM LOANS (continued)

- [d] A subsidiary of the Trust has a \$10,000 demand non-revolving loan which is repayable in full on January 1, 2002. This loan bears interest at prime plus 1.25% or, at the Trust's option, at the bank's cost of fund rate plus 2.75% and is collateralized by land and buildings plus a charge over the assets of the subsidiary. The effective interest rate as at December 31, 2000 was 8.75%.
- [e] A subsidiary of the Trust has a term loan facility of U.S.\$7,315, collateralized by land and buildings with repayments of interest only and bears interest at LIBOR plus 2.25%, maturing on January 1, 2002. The effective interest rate as at December 31, 2000 was 8.94%.
- [f] A subsidiary of the Trust has a revolving credit facility of U.S.\$1,000, bearing interest at prime plus 0.75%, payments of interest only, maturing on January 1, 2002. The effective interest rate as at December 31, 2000 was 8.65%.
- [g] A subsidiary of the Trust has a commercial development note of U.S. \$1,324, bearing interest at a fixed rate of 6.25%, maturing on January 1, 2002.
- [h] A subsidiary of the Trust has a term loan of U.S. \$11,965, bearing interest at LIBOR plus 2.25%, payments of interest only, maturing on January 1, 2002. The effective interest rate as at December 31, 2000 was 8.99%.

Collateral for the loans described in loans [e] through [h] includes a general assignment of the assets of certain subsidiaries of the Trust.

- [i] Various subsidiaries have equipment financing loans, interest at 6.9% to 8.5%, collateralized by specific equipment, maturing from June 2001 to December 2004.

The loan agreements with respect to the loans described in [a] through [h] above contain certain restrictions and require certain subsidiaries to maintain specific financial ratios and to comply with other covenants.

Subsidiaries of the Trust have entered into various interest rate swap contracts that oblige them to pay interest at fixed rates and entitle them to receive interest at floating rates based on principal amounts specified in the contracts. The contracts require the payment or receipt of the net amount of interest on a quarterly basis. Contracts in effect as at December 31, 2000 are as follows:

Related loan facility [see above]	Notional amount U.S.\$	Termination date	Fixed rate %	Floating rate	Fair value \$
[c]	40,000	December 31, 2001	6.76	LIBOR	(550)
[e]	7,122	December 31, 2001	6.15	LIBOR	(26)
[h]	5,750	September 30, 2004	6.53	LIBOR	(198)





8. BANK TERM LOANS (continued)

Principal repayments due on the loans are as follows:

	\$
2001	328
2002	182,826
2003	239
2004	204
2005	161
Thereafter	148
	<u>183,906</u>

Reference is made to *note 18* and the repayment of \$51,034 of the above loans out of the proceeds of an issue of Trust units subsequent to December 31, 2000.

9. CONVERTIBLE DEBENTURES

On May 12, 1999, the Trust issued subscription receipts in the aggregate principal amount of \$46,000 which were converted on June 14, 1999 to unsecured subordinated convertible debentures [the "debentures"] in the aggregate principal amount of \$46,000. The net proceeds of the issue amounted to \$42,660 after deducting total issue costs of \$3,340, of which \$1,840 was allocated against the equity component of the debentures and \$1,500 was recorded as a deferred financing cost. The debentures bear interest at 12% per annum, payable semi-annually on June 30 and December 31 of each year, and mature on June 30, 2004.

These debentures were classified on issuance as follows:

	\$
Issue price	46,000
Less liability component	(21,189)
Less issue costs related to equity component	(1,840)
Equity component at issuance	<u>22,971</u>

At December 31, these debentures consist of the following:

	2000	1999
	\$	\$
Current portion of liability component	3,858	3,460
Long-term liability component	11,941	15,711
Equity component	28,361	24,989
	<u>44,160</u>	<u>44,160</u>

9. CONVERTIBLE DEBENTURES (continued)

The debentures may be converted into Trust units at the option of the holder at a conversion price of \$8.25 per Trust unit at any time prior to the earlier of maturity and the day preceding a date specified by the Trust for redemption. The Trust may, at its option, commencing on or after July 2, 2002 and before maturity, redeem the debentures at a price equal to their principal amount plus accrued and unpaid interest provided that the trading price of the Trust units is not less than 125% of the \$8.25 conversion price [\$10.31 per Trust unit]. On redemption or maturity, the Trust may, at its option and subject to regulatory approval, settle the principal amount in effect by the issuance of Trust units based on the lesser of 95% of their market value at that time or \$8.25 per Trust unit.

Interest paid on the debentures qualifies for reinvestment under the Trust's Distribution and Interest Reinvestment and Optional Cash Payment Plan [note 11[c]].

Interest of \$2,060 [1999 - \$1,338] on the liability component has been included in the computation of net earnings for the year. The equity component has been accreted by \$5,405 to December 31, 2000 by charges to Trust equity of \$3,421 during 2000 and \$1,984 during 1999.

10. FINANCIAL INSTRUMENTS

[a] Financial risk

The fair market values of the Trust's current financial assets and liabilities approximate carrying values due to their short-term nature. The fair market values of long-term debt instruments are also considered to approximate their carrying values.

The fair value of the convertible debentures based on their closing market price at December 31, 2000 is \$47,265 [1999 - \$43,700]. The principal amount as at December 31, 2000 and 1999 was \$46,000.

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollar. This risk affects the Trust's operating and financial results. The Trust earns a significant portion of its operating revenue in U.S. dollars and uses derivative instruments on a year by year basis to reduce its exposure to this foreign exchange risk. In addition foreign exchange risk relating to capital assets is reduced through the matching of U.S. dollar denominated assets with U.S. dollar denominated long-term financing.

In December 2000, the Trust entered into Canadian dollar call option contracts to manage its exposure to currency rate fluctuations related to its future net cash flows in U.S. dollars from operations. The call options provide the Trust with the option, but not the obligation, to purchase Canadian dollars equivalent to U.S.\$11,400 on specified dates during 2001 at exchange rates varying between \$1.5075 to \$1.5175 per U.S. dollar. The market value of these call option contracts is approximately \$150 as at December 31, 2000.



[b] Credit risk

The counterparties for forward foreign exchange contracts and options and interest rate swaps are major financial institutions.

In Canada, the Trust has a right of warehouseman lien over all customer inventory maintained in its possession. The lien gives the Trust a security on inventory held on behalf of customers for any outstanding receivables for warehousing and distribution services provided. The Trust has in place a policy for holding the release of inventory to customers with excessive accounts receivable balances. In the United States, the Trust has a right of storers' lien, which effectively operates as above.

The Trust believes there is no unusual exposure associated with the collection of its trade receivables.

11. TRUST EQUITY**[a] Trust units**

The Trust was established on February 25, 1997 for nominal proceeds. An unlimited number of Trust units may be issued pursuant to the Declaration of Trust.

In connection with the acquisition of Atlas Limited on August 11, 2000 [note 2[a]], the Trust made a change in its voting arrangements by creating and issuing for nominal consideration Non-Participating Voting Units to the holders of Class C Common shares, 1177 Special shares, CIC Special shares and Class X shares of Atlas Holdings. The Non-Participating Voting Units give these shareholders voting rights as unitholders in the Trust equivalent to what they would have if they had exchanged their shares into Trust units. At the same time, the shareholders gave up their voting rights as shareholders of Atlas Holdings, except in the event of any liquidation of the assets of Atlas Holdings.





11. TRUST EQUITY (continued)

[b] Capital contributions

Details of capital contributions with respect to Trust units and exchangeable shares in Atlas Holdings are as follows:

	Unitholders' capital		Class C Common and series 2 preferred exchangeable shares		Special exchangeable shares		Class X exchangeable shares		Total \$
	Number #	Amount \$	Number #	Amount \$	Number #	Amount \$	Number #	Amount \$	
1999 Balance, beginning of year	10,406,441	101,357	1,136,077	11,361	—	—	—	—	112,718
Issue of exchangeable shares to CMI shareholders [note 13[b]]	—	—	—	—	—	—	600,000	4,830	4,830
Issue of Trust units for exchangeable shares	809,563	7,267	(384,778)	(3,848)	—	—	(424,760)	(3,419)	—
Balance, December 31, 1999	11,216,004	108,624	751,299	7,513	—	—	175,240	1,411	117,548
2000									
Issues for cash									
TD Capital [note 2[a]]	4,800,000	33,500	—	—	—	—	—	—	33,500
Distribution reinvestment plan	198,614	1,433	—	—	—	—	—	—	1,433
	4,998,614	34,933	—	—	—	—	—	—	34,933
Issue of Special shares on acquisition of Atlas Limited [note 2[a]]	—	—	—	—	4,800,000	35,000	—	—	35,000
Issue of Trust units related to acquisition of Modern [note 2[b]]	189,906	1,183	—	—	—	—	—	—	1,183
Issue of Trust units for exchangeable shares	318,612	2,509	(68,612)	(686)	(250,000)	(1,823)	—	—	—
Distribution reinvestment on Special shares	—	—	—	—	27,076	212	—	—	212
Balance, December 31, 2000	16,723,136	147,249	682,687	6,827	4,577,076	33,389	175,240	1,411	188,876

11. TRUST EQUITY (continued)

Effective May 27, 1997, the Trust acquired, through a subsidiary (now named Atlas Holdings), all of the issued and outstanding shares of Associated Freezers. As part of the consideration for this acquisition, the Trust caused Associated Freezers to issue Class C Common shares and Series 2 Preferred shares in the amount of \$14,828 exchangeable by the holders thereof into an aggregate of 1,482,752 Trust units. During 2000, 68,612 [1999 – 384,778] Trust units were exchanged for Class C Common shares and Series 2 Preferred shares by the holders.

[c] Distribution and Interest Reinvestment and Optional Cash Payment Plan

On March 1, 2000, the Trust introduced a Distribution and Interest Reinvestment and Optional Cash Payment Plan for the unitholders and convertible debenture holders. All distributions and interest payments may be reinvested in the Trust by purchasing Trust units at a discount of 5% below the 10-day trailing average market price. Each participant may also make an optional cash payment up to the maximum of the greater of the distribution received or \$20 per quarter [in the case of unitholders] and up to a maximum of the greater of the interest payment received or \$40 semi-annually [in the case of the debenture holders].

Pursuant to the terms of the acquisition of Atlas Limited, the holders of 1177 Special shares have agreed for the two-year period ending August 2002 to reinvest an amount of their distributions of not less than 20% and not to exceed 50% with respect to the exchangeable units initially received by them [note 2[a]]. The reinvestment of distributions increases the number of Trust units to which the holders of the 1177 Special shares are entitled on exchange of the Special shares into Trust units. The amount to be reinvested as at December 31, 2000 amounting to \$428 has been presented as a part of Trust equity.

TD Capital has also agreed for the two-year period ending August 2002 to reinvest an amount of their distributions of not less than 20% and not to exceed 50% with respect to the Trust units initially acquired by them [note 2[a]]. TD Capital has also agreed to waive its entitlement to cash distributions made in the ordinary course by the Trust on 300,000 Trust units during the period ending August 11, 2001 and 150,000 Trust units during the year ending August 11, 2002.

[d] Exchangeable shares of Atlas Holdings

Details concerning the exchangeable shares of Atlas Holdings are as follows:

Class C Common shares

The holders of Class C Common shares receive dividends when cash distributions are made on Trust units. The Class C Common shares are exchangeable in conjunction with the Series 2 Preferred shares into Trust units.

Holders of such shares have the right to, at any time or from time to time, and must upon certain specified circumstances, exchange their Class C Common shares and Series 2 Preferred shares into Trust units.

Holders of such shares have voting rights in the Trust as holders of Non-Participating Voting Units [see above].





Series 2 Preferred shares

The holders of Series 2 Preferred shares are not entitled to receive notice of or attend any meeting of the shareholders of Atlas Holdings and are non-voting. The holders of Series 2 Preferred shares are entitled to receive fixed, non-cumulative, cash dividends at a rate of 8% per annum. The Series 2 Preferred shares are redeemable and retractable at a price of \$10 per share plus declared and unpaid dividends.

Special shares

The exchangeable units with respect to Special shares consist at December 31, 2000 of 710,000 CIC Special shares, 3,567,076 1177 Special shares and 300,000 Class Z Special shares.

On August 11, 2000, 960,000 CIC Special shares, 3,540,000 1177 Special shares and 300,000 Class Z Special shares were issued as consideration for the acquisition of Atlas Limited [note 2[a]]. As at December 31, 2000, 250,000 CIC Special shares had been exchanged for Trust units.

The holders of the Special shares are not entitled to receive notice of or attend any meeting of shareholders of Atlas Holdings and are non-voting, redeemable, retractable and exchangeable for Trust units. The shares are retractable at the option of Atlas Holdings for Trust units.

Each CIC and 1177 Special share entitles the holder to receive a cumulative dividend equal to the distribution that would have been paid or otherwise been made by the Trust to such holder had it held the number of Trust units into which such holder's Special shares are exchangeable.

The Class Z Special shares are not entitled to dividends and are not redeemable or retractable. The Class Z Special shares will be automatically converted, on a share for share basis, into 1177 Special shares without further action on the part of the holder upon the occurrence of certain events and, in any event, 150,000 Class Z Special shares will automatically convert on August 11, 2001 and the balance will automatically convert on August 11, 2002.

The holders of the CIC and 1177 Special shares have voting rights in the Trust as holders of Non-Participating Voting Units [see above].

Class X shares

The Class X shares are non-voting and are exchangeable into Trust units. The holders of Class X shares are entitled to receive dividends when distributions are paid on Trust units.

The holders of such shares have voting rights in the Trust as holders of Non-Participating Voting Units [see above].

[e] Distributions

The Trust distributes all of its distributable cash each year, net of any reserve deemed prudent by the Board of Directors of Atlas Holdings. Distributable cash is currently determined by the Trustees as net earnings for the year of the Trust, adjusted for non-cash items including amortization and future income taxes, and further adjusted by amounts retained by the Trust to fund interest on the convertible debentures and sustaining capital expenditures. In 1999 the provision for costs relating to the termination of the CMI management contract was added back in the determination by the Trustees of distributable cash as it was settled substantially through a non-cash issue of Atlas Holdings shares [note 13[b]]. The amount for sustaining capital expenditures is determined by the Board of Directors of Atlas Holdings and was established for 2000 as \$3,821 [1999 - \$2,500].

11. TRUST EQUITY (continued)

Distributions are made quarterly, based upon estimated distributable cash for the year, to the holders of record of the Trust units and of other shares that are exchangeable into Trust units.

Distributions with respect to 2000 were as follows:

Record date	Original payment date	Distributions per Trust unit or exchangeable unit \$	Trust unitholders \$	Class C Common and Series 2 Preferred Shares \$	Special Shares \$	Dividends on Class X Shares \$	Total \$
March 31, 2000	April 15, 2000	0.20	2,288	143	—	35	2,466
June 30, 2000	July 15, 2000	0.24	2,757	171	—	42	2,970
August 9, 2000	October 15, 2000	0.12	1,389	82	—	21	1,492
Sept. 30, 2000	October 16, 2000	0.12	1,959	82	511	21	2,573
Dec. 31, 2000	January 15, 2001	0.24	3,942	164	1,026	42	5,174
		0.92	12,335	642	1,537	161	14,675

Distributions with respect to 1999 were as follows:

Record date	Original payment date	Distributions per Trust unit or exchangeable unit \$	Trust unitholders \$	Class C Common and Series 2 Preferred Shares \$	Special Shares \$	Dividends on Class X Shares \$	Total \$
March 31, 1999	April 15, 1999	0.21	2,220	204	—	—	2,424
June 30, 1999	July 15, 1999	0.24	2,655	189	—	70	2,914
Sept. 30, 1999	October 15, 1999	0.25	2,775	188	—	73	3,036
Dec. 31, 1999	January 15, 2000	0.27	3,028	203	—	47	3,278
		0.97	10,678	784	—	190	11,652

12. UNIT-BASED COMPENSATION PLAN

During 2000, the Trust adopted a Trust Unit Option Plan and terminated the previous Share Option Plan administered by Atlas Holdings. Options held under the Atlas Holdings plan were terminated and the Trust issued new options under the Trust Unit Option Plan on substantially similar terms to the former Atlas Holdings plan. The Atlas Holdings Share Option Plan had granted options to purchase Class B common shares of Atlas Holdings, which were exchangeable into Trust units upon exercise.

The Trust Unit Option Plan reserves a total of 2,000,000 Trust units for grants to directors, officers and employees of Atlas Holdings, and to the trustees of the Trust. As at December 31, 2000, 948,340 Trust unit options remained available for future grant.

12. UNIT-BASED COMPENSATION PLAN (continued)

Options granted to officers and employees normally vest over a five-year period. Certain options granted to officers of Atlas Holdings at the time of the acquisition of Atlas Limited [note 2[a]] vested immediately. Options granted to directors and trustees normally vest at the time of grant.

The exercise price of the option equals the market price of the Trust units at the time of grant and all unexercised options normally expire ten years after the grant date.

A summary of the status of the Trust's Option Plans as at December 31, 2000 and 1999 and changes during the years then ended is as follows:

	2000		1999	
	Number #	Weighted average exercise price \$	Number #	Weighted average exercise price \$
Share Option Plan				
Options outstanding, beginning of year	603,303	9.40	424,803	10.36
Granted	—	—	178,500	7.12
Transfer to Trust Unit Option Plan	(603,303)	(9.40)	—	—
Options outstanding, end of year	—	—	603,303	9.40
Trust Unit Option Plan				
Transfer from Share Option Plan	603,303	9.40	—	—
Granted	448,357	7.31	—	—
Terminated	(216,737)	(9.66)	—	—
Trust unit options outstanding, end of year	834,923	8.21	—	—

As at December 31, 2000, 747,482 options have vested and are available for exercise [1999 – 260,473]. The prices at which the options may be exercised range from \$7.08 to \$11.39 and the weighted average contractual life of the outstanding options is 8.63 years.



13. RELATED PARTY TRANSACTIONS

- [a] On August 11, 2000, a subsidiary of the Trust entered into lease and licensing agreements for the Wisconsin facilities and equipment owned by Spire Freezers Limited, a company indirectly owned and controlled by certain officers of Atlas Holdings. The initial term of these agreements is for fifteen years, with the right to two renewal periods of further five-year terms. The subsidiary is to pay U.S.\$1,750 per annum in equal monthly installments of \$146 for the first five years of the term. The per annum charges will be renegotiated at the end of every five-year period for an amount not less than the charge in the previous five-year term. The subsidiary is responsible for all applicable property taxes, operating costs and a defined amount of sustaining capital expenditures. The subsidiary incurred an expense of \$1,021 during 2000 with respect to the lease and license agreements.
- [b] On March 11, 1999, the Trust and the shareholders of CMI, a company controlled by certain shareholders of one of the subsidiaries, entered into an agreement to terminate the then long-term contractual arrangement between Atlas Holdings, the subsidiary and CMI effective March 31, 1999, which agreement provided for the purchase of the CMI shares by a subsidiary of the Trust for consideration of 600,000 Atlas Holdings Class X shares issued to the CMI shareholders in June 1999. The Class X shares are exchangeable into 600,000 Trust units and were entitled to distributions as if they were Trust units effective with the distribution at the end of June 1999. A provision of \$5,030 with the respect to such termination, including related costs of \$200, was made in 1999.
- [c] During 1999, the Trust advanced \$300 to an officer for the purchase of convertible debentures of the Trust. This loan was repaid during 2000.

14. INCOME TAXES

The Trust is structured to qualify as a mutual fund trust under the Income Tax Act (Canada) and is therefore not subject in 2000 and 1999 to taxation on its income that was distributable to its unitholders. The Trust's subsidiaries are subject to taxation on their income at statutory corporate tax rates.

Future income tax assets and liabilities reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as follows:





14. INCOME TAXES (continued)

	Asset \$	Liability \$
Tax effect of temporary differences relating to:		
Capital assets	(4,705)	8,374
Deferred financing costs	728	(87)
Goodwill	(87)	2
Other, net	610	(206)
Loss carryforwards	11,285	(389)
Valuation allowance	(3,813)	—
Total future tax asset/liability	4,018	7,694

The provision for (recovery of) income taxes differs from that which would be obtained by applying the Canadian statutory income tax rate as follows:

	2000 \$	1999 \$
Earnings (loss) before income taxes	8,462	(4,320)
Earnings of the Trust subject to tax in the hands of unitholders, not the Trust	(8,765)	(6,390)
Loss of subsidiary companies	(303)	(10,710)
Canadian statutory income tax rate	43.95%	45%
Income taxes at statutory rate	(133)	(4,820)
Adjustments for the tax effect of:		
Non-deductible expenses	672	2,496
Net operating losses for which no income tax benefit has been recognized	—	709
Net reduction in future income tax assets resulting from reductions in enacted tax rates	472	—
Decrease in valuation allowance and other	(242)	—
Large corporations and minimum taxes	342	1,199
Provision for (recovery of) income taxes	1,111	(416)
Consisting of provision for:		
Current income taxes	342	1,199
Future income taxes	769	(1,615)
	1,111	(416)

14. INCOME TAXES (continued)

As at December 31, 2000, the Trust's Canadian and U.S. subsidiaries had income tax losses totalling approximately \$13,400 and \$18,000 [U.S.\$12,000] respectively. These income tax losses are available for carryforward to reduce future years' taxable income of the Canadian subsidiaries for 7 years, and of the U.S. subsidiaries for periods ranging from 15 to 20 years. Losses of Canadian and U.S. subsidiaries expire commencing in 2005 and 2015, respectively.

Significant components of the provision for income taxes for the year ended December 31, 2000 are as follows:

	\$
Current tax expense	342
Future income tax expense relating to origination and reversal of temporary differences	297
Future income tax expense resulting from changes in income tax rates	472
Provision for income taxes	1,111

15. CONSOLIDATED STATEMENTS OF CASH FLOWS

The net change in non-cash operating working capital balances consists of the following:

	2000 \$	1999 \$
Accounts receivable	(5,957)	999
Prepaid expenses	166	173
Accounts payable and accrued liabilities	(132)	390
Deferred revenue	646	(196)
	(5,277)	1,366

During the year, capital assets were acquired at an aggregate cost of \$26,627 [1999 - \$9,217] of which \$617 [1999 - \$1,001] is included in accounts payable and accrued liabilities as at December 31, 2000.



16. LEASE COMMITMENTS

The Trust has entered into leases for warehouse facilities, its head office premises, vehicles and equipment. Future minimum annual lease payments are as follows:

	\$
2001	6,437
2002	5,390
2003	5,093
2004	4,962
2005	4,834
Thereafter	43,543
	70,259

17. SEGMENTED INFORMATION

The Trust and its subsidiaries have operated in one industry during 2000 and 1999, that being the operation of a North American network of refrigerated warehouse facilities providing temperature-controlled storage, handling and logistics management services. Operating units serve two geographic areas, Canada and the United States. The reportable geographic segments are as follows:

	2000		1999	
	Canada \$	United States \$	Canada \$	United States \$
Revenue from external customers	45,088	69,453	33,762	51,359
Capital assets, net	159,418	153,505	83,729	93,691
Goodwill, net	23,269	44,493	14,405	27,951



18. SUBSEQUENT EVENTS AND PROFORMA INFORMATION

On January 15, 2001, the Trust issued 117,808 Trust units and 57,289 unit equivalents pursuant to the Trust's Distribution Reinvestment plan [note 11[c]] for proceeds of \$880 and \$428, respectively.

The amount of \$880 was recorded as an increase in capital contributed by unitholders and a decrease in distributions payable. The amount of \$428 was recorded as an increase in capital contributed by shareholders of a subsidiary and a decrease in distributions to be reinvested.

Pursuant to an underwriting agreement dated February 19, 2001, the Trust issued 6,185,062 Trust units at a price of \$8.70 per Trust unit on March 6, 2001 [total \$53,810]. As part of this issuance, TD Capital and 1177325 Ontario Limited [a company controlled by certain officers of Atlas Holdings] purchased 1,935,062 Trust units at \$8.70 per Trust unit [total \$16,835].

The net proceeds to the Trust from the offering amounted to \$51,034, after deduction of underwriters' fees of \$1,849 and an estimated provision for other issue costs of \$927. Out of the net proceeds, an amount of \$866 [\$0.14 per new unit issued] was recorded as a distribution payable by the Trust to satisfy the relevant portion of the unitholder distributions to be made on March 31, 2001 and the balance of \$50,168 was recorded as capital contributed by unitholders.

The net cash proceeds of \$51,034 were used by the Trust on March 6, 2001 to repay bank term loans. The bank term loans referred to in note 8[a] and [b] were fully repaid and the bank term loan referred to in note 8[c] was reduced by the balance of the net proceeds.

The Trust intends to renegotiate with existing and potential lenders the amounts and terms of its remaining loan facilities [note 8].

The proforma column on the consolidated balance sheets gives effect to these transactions as if they had occurred on December 31, 2000.

19. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2000 consolidated financial statements.



ATLAS COLD STORAGE **BOARD OF DIRECTORS**

J. Nicholas Ross, Chairman and Director
Chairman, Rover Capital Corporation

Robert T.E. Gillespie, Director
Chairman and CEO, GE Canada

Jack H. Scott, Director
Company Director

Jeffrey L. Rosenthal, Director
Managing Partner, Imperial Capital Corporation

Joseph P. Wiley, Director
Managing Director, TD Capital Group Limited

Patrick A. Gouveia, Director
President and Chief Executive Officer

Andrew W. Peters, Director
Chief Financial Officer

ACS FREEZERS **INCOME TRUST** **TRUSTEES**

Albrecht W.A. Bellstedt
Executive Vice President, Law and General Counsel
TransCanada PipeLines Limited

J. Nicholas Ross
Chairman, Rover Capital Corporation

Michael H. Wilson
Chairman, Chief Executive Officer and Director
RT Capital Management Inc.

ATLAS COLD STORAGE **OFFICERS**

Patrick A. Gouveia
President and Chief Executive Officer

Andrew W. Peters, CMA
Chief Financial Officer

John Dobrei
Treasurer

Ronald N. Perryman, CA
Vice President Finance

Gordon F. Rands
Executive Vice President, Operations

Merle Lemmen
Senior Vice President, Operations

Dan Quinn
Vice President, Operations

Paul Vickery, CA
Corporate Controller

Edmund Smith
Secretary

INVESTOR RELATIONS

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